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1 April 1982

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MEMORANDUM FOR:   
DD/PA&E

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FROM : 

SUBJECT : Grade Banding

1. As anticipated, TPF&C, in its option paper, surfaced the concept of grade banding as a viable, if not desirable, feature to incorporate into our present compensation system. Although there can be variations on the theme, its genesis is embodied in Navy's "China Lakes Project." This option was carefully considered a couple of years ago, and at that time I made a thorough review of the literature, attended an overview from Navy and arranged for the principals from China Lakes to brief D/Pers, DD/Pers and PMCD management at Headquarters on the key features of the program. I continue to be persuaded that this would be the wrong way for the Agency to go and thought it might be timely to refresh ourselves on the features of this program and the probable impact on the Agency personnel system if it were to be adopted in whole or in part.

2. I fully support the need to streamline our compensation system and it appears that the present management climate will afford us this opportunity. The first and foremost aspect of any system, however, is its compatibility with the mission, function and environment of the Agency. An overlay of the banding concept on our existing classification/compensation programs would not facilitate mission accomplishment and could create the need for a major overhaul of our entire personnel system. As an illustration, and I believe this is an overwhelming disadvantage, a major compromise would take place with respect to our Agency-wide career management program if existing grades were reduced to a few broad "bands" and our promotions were collapsed to accommodate this reconfiguration.

3. We should not lose sight of the fact that the "banding" concept was designed to overcome a special set of problems in a Title V agency subject to the 1949 Classification Act, with a very inflexible, closely monitored personnel system. The chief attractions for Navy were minimizing disputes by shifting to management the lion's share of responsibility for position classification, and obtaining an exemption from grade monitoring by the Office of Personnel Management. Other inducements for adopting the system were the need to overcome the problems resulting from a highly structured classification program with a rigid application of grading standards, which, in turn, precluded the operation of an adequate recruitment and salary advancement program.

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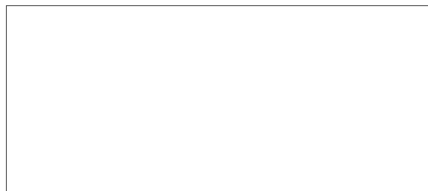
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4. These problems do not exist in CIA. The fact is that PMCD, in recent years, has instituted a responsible/flexible classification program and that an excellent mechanism now exists through the appeal procedure, for resolving management grade disputes. TPF&C validated the fact that adequate flexibility exists (with respect to both grade and steps) to facilitate recruitment requirements. Also, our PRA approach provides flexibility regarding individual grades that is not available under any other federal system with exception of the Foreign Service.

5. Two other advantages that were cited in this project were a concurrent upgrade of the performance evaluation program and the introduction of a merit pay feature. From what we can learn, the "upgraded" performance evaluation program still falls short of our approach. Merit pay was reviewed and rejected by the Agency two years ago. While "banding" could obviously be adopted without merit pay (or vice versa) its incorporation was touted as a necessary ingredient.

6. We agreed at the outset that any compensation plan changes must interface properly with our classification system. Grade banding is likely to complicate the administration of both the classification and pay programs. More importantly, unless we are prepared to perform radical surgery on our Agency-wide career management program and totally revamp our promotion policies the "banding" proposal should not receive further consideration.

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Attachment

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Gist of China Lakes (Grade Banding) Project  
and Probable Implications if the Agency were to Adopt this Concept

o What is the "China Lakes Project"

This is an experimental program initiated within two Naval research facilities (Naval Ocean Systems Center and Naval Weapons Center) under authority of the 1978 CSRA legislation. It is an attempt to increase the effectiveness of the personnel program by integrating, into a single package, the separate elements of position classification, pay administration and performance appraisal. It's primary feature is the reduction of grade/pay designations from 15 grades to four "bands" (below SES) by combining existing grades within broader categories.

o Major Elements of Plan

-- Classification of Jobs (GS 1-15) is divided into five broad bands. Grade designations are no longer used--only levels.

- Level I -- GS-5/8
- Level II -- GS-9-11
- Level III -- GS-12/13
- Level IV -- GS-14/15
- Level V -- GS-16/18 (non SES)

-- Performance Appraisal -- Performance by objectives (MBO) -- negotiated contracts with employee (essentially what the Agency has had for many years with AWP) -- establishment of five performance categories

- Outstanding
- Exceeding objectives
- Met objectives
- Below objectives
- Needs improvement

-- Pay Administration - New ranges are created consisting of the minimum at the lowest grade in the band level and the maximum at the highest grade.

- Migration of outstanding performance to top end of pay band, and poor performance to bottom end of band, or to lower band.
- Incorporates a merit feature and abolishes semi-automatic step increases.
- Creates new monitoring requirements tied to budget dollars rather than grade controls

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o Conditions Leading up to Its Adoption by Navy

- OPM had cited the installation in a classification survey for overgrading (banding obfuscates the problem)
- Their current classification system was regarded as confusing and too complex (managers and employees did not understand it).
- Managers believed they had had too small a role in setting pay.
- Personnel classifiers were thought to have had an inordinate amount of responsibility in pay setting.
- Recruitment staffing actions were being delayed until positions were classified.
- The system of rigid grades limited the manager's ability to transfer personnel from one functional area to another.
- The classification process consumed too much time and energy of personnel staff.
- Classification process may have caused some professionals to leave federal service (no conclusive proof was offered on this)

o Success of Program -- Banding was initiated in 1979 and it is being implemented in phases beginning with professional scientists, engineers at the GS 13/14/15 levels. It is being carefully monitored but results will not be known for some time, and these will need to be considered within the context of the organizational environment.

o Anticipated Problems with Banding if Adopted by CIA

- Entire career management approach in the Agency would be severely compromised since promotional opportunities would be reduced from 11 (GS-5/15) to 4 (Levels I, II, III, IV).
- Career Service Grade Authorization (CSGA) would be rendered obsolete, or at the very least remain a tool of limited value.
- Salary ranges would be expanded from 30% to as much as 78% which most experts would conclude is too wide for prudent pay administration.
- No real additional rank/grade flexibility would be provided since the broadest band, Level I, allows an array of four grades whereas the present Agency PRA System allows for a five grade spread.
- Underlying concept of entire system is to place almost complete control in hands of manager and this is completely contrary to career panel approach to promotions and reassignments.

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- Attempt to justify a combined criteria consisting of classification of jobs (what is done) with performance appraisal (how well it is done) would be even more confusing and argumentative than our present system.
- Grievance/adverse action potential as a result of moving employees among grades within pay bands could be substantial.
- Control aspect of PMCD would be jeopardized since implementation of system requires suspension of grade and ceiling levels. (This could also be argued as an advantageous way of taking OMB out of the monitoring loop.)

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